



U.S. Department of Justice

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NEWS SUMMARY

Corporation & 11 individuals charged with \$250 million fraud scheme

United States Attorney Steven M. Biskupic announced today that a federal grand jury in the Eastern District of Wisconsin had returned a 25-count indictment charging International Outsourcing Services ("IOS"), a privately-held corporation, and eleven (11) individuals with carrying out a wire-fraud scheme to defraud manufacturers that use coupons to market their products to consumers. The indictment alleges that as a result of the scheme, the defendants caused over \$250,000,000 in loss to manufacturers nationwide and over \$15,000,000 to Wisconsin-based companies.

According to the indictment, IOS is the nation's largest coupon clearinghouse for grocery store retailers and manufacturer coupons. "Coupon inserts in Sunday newspapers are a billion-dollar business. The Indictment charges that the defendants participated in a multi-million dollar fraud that victimized five Wisconsin companies as well as other companies located throughout the country," said United States Attorney Biskupic.

The indictment alleges that between 1997 and 2006, IOS, nine of its executives and employees, and two individuals associated with Riya Coupon Services, a coupon brokerage based in New Jersey, participated in a scheme to submit fraudulent coupons to manufacturers for payment. The indictment alleges that the fraudulent coupons submitted by the defendants included:

- Coupons that never had been legitimately redeemed in connection with the purchase of a product;
- Coupons that IOS falsely invoiced to manufacturers as having been redeemed at its large retail clients when, in fact, those coupons had been submitted to IOS by smaller stores that were far more likely to have their coupons rejected due to fraud concerns;
- Coupons that IOS invoiced through their large retail chain stores from geographic areas far from where the coupons were distributed (out of area), or coupons invoiced through large retail clients that did not carry the product associated with the coupon.

The indictment further alleges that IOS and various defendants took a series of actions to conceal the scheme from not only product manufacturers but also the innocent retail clients whose accounts were used by IOS to launder the fraudulent coupons.

U.S. Attorney Biskupic explained that this indictment was the product of a long-term investigation by his office, the FBI and others. U.S. Attorney Biskupic explained that during an earlier phase of the investigation, 17 individuals had been charged and convicted in the Eastern District of Wisconsin, 10 in the Northern District of Ohio, and 3 in the Southern District of Mississippi for taking part in a coupon fraud scheme related to a broker named Abdel Rahim Jebara and an IOS sales manager named Robert MacDonald.

The indictment unsealed today alleges that after the FBI executed search warrants at IOS facilities and arrested Robert MacDonald in February 2003, IOS reduced the volume of small-store coupons being invoiced through larger stores as part of its fraud scheme. According to the indictment, this caused IOS to suffer financial problems which, in turn, caused IOS, its executives, and others to make false entries in the company's accounting records, to provide false financial information to banks and auditors, and to fraudulently shift "charge backs" (money owed as a result of denied coupons) from non-paying stores to unrelated, legitimate retailers that were shipping coupons to IOS.

The indictment also alleges that IOS and its executives took steps to keep IOS employees and others with knowledge of the scheme from cooperating with law enforcement and to retaliate against those who provided information to federal authorities.

The indictment alleges that the following 11 individuals participated with IOS in carrying out the fraud scheme:

1. **Thomas C. Balsiger**, age 53, of El Paso, Texas, is a partial owner of IOS and serves as its President and Chief Operating Officer.
2. **Bruce A. Furr**, age 70, of Bloomington, Indiana, is a partial owner of IOS and serves as its Chief Executive Officer.
3. **Steven A. Furr**, age 46, of El Paso, Texas, is an IOS Executive Vice President and board member.
4. **Lance A. Furr**, age 45, of Bloomington, Indiana, was an IOS Executive Vice President and board member. Until 2004, Lance Furr also had served as IOS's Chief Financial Officer.
5. **William L. Babler**, age 49, of Bloomington, Indiana, has been IOS's Chief Financial Officer since 2004.
6. **Ovidio H. Enriquez**, age 63, is an IOS plant manager, who works out of El Paso, Texas, and Juarez, Mexico.
7. **David J. Howard**, age 45, is an IOS plant manager, who works out of Del Rio, Texas, and Muzquiz, Mexico.

8. **Howard R. McKay**, age 62, of Memphis, Tennessee, is an IOS consultant, sales manager, and member of IOS's advisory board.
9. **James C. Currey**, age 57, of El Paso, Texas, handles information technology for IOS and serves on IOS's advisory board.
10. **Daxesh V. Patel**, age 40, of Somerset, New Jersey, was the President of Riya Coupon Services, LLC.
11. **Bharatkumar K. Patel**, age 52, of Boonton, New Jersey, was the Vice-President of Riya.

If convicted, individual defendants would face (per count): up to 20 years' imprisonment, up to \$250,000 in fines, up to 3 years of supervised release, and a restitution order covering the amount of established loss.

The FBI was assisted in this investigation by a number of law enforcement agencies, including the United States Postal Inspection Service, the Internal Revenue Service, the Bureau of Immigration and Customs Enforcement, the New Jersey Division of Criminal Justice, and other state and local agencies in a number of states.

The public is cautioned that an indictment is merely the formal method of returning charges against an individual and does not constitute inference of his guilt. An individual is presumed innocent until such time, if ever, that the government establishes his or her guilt beyond a reasonable doubt.

Anyone who may wish to provide additional information pertaining to this investigation should contact the Milwaukee Office of the FBI at 414-276-4684. The case is being prosecuted by Assistant United States Attorneys Stephen A. Ingraham and Richard G. Frohling.

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